



“Jet Airways (India) Limited
Q4 FY2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Jet Airways Limited Q4 FY2018 earnings conference call, hosted by SBICap Securities Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Santosh Hiredesai from SBICap Securities Limited. Thank you and over to you Sir!

Santosh Hiredesai: Thank you, Vikram. Very good evening to everybody who's joining on the call today. On behalf of SBICAP Securities, I would like to thank the management of Jet Airways for giving us this opportunity to host the call. To take us through the 4Q and FY2018 performance of the company, we have the senior management represented by Mr. Vinay Dube, CEO; Mr. Amit Agarwal, CFO and Deputy CEO; Mr. Gaurang Shetty, Whole-Time Director, Senior VP, Commercial; Mr. Raj Sivakumar, Senior VP, Network and Revenue Management; and Mr. N. Ravichandran, VP, Finance.

We will start with opening remarks from the management followed by a Q&A session.

Now I hand over the call to the management. Over to you, sir!

N. Ravichandran: Thanks Santosh. A very good afternoon to all. My name is Ravichandran. Before we begin today's call this is to state that certain statements based during this call related to our future business, financial performance in future even some developments may be construed as forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to defer materially from those in such forward-looking statements. Now let me now handover this call to our CEO, Mr. Vinay Dube.

Vinay Dube: Thank you Ravi. A very good afternoon to everyone. I am pleased to extend a warm welcome to all of you for this earnings call organized by SBICap. I am extremely grateful to all of you for your time and the interest that you have shown in our company.

It is a pleasure for me to be here with my team. I know they have been introduced before, but let me introduce them again please. I am here with Gaurang Shetty, Wholetime Director, Amit Agarwal, Deputy CEO & CFO, Raj Sivakumar, Senior VP, Network Pricing and Revenue Management, and N Ravichandran, VP, Finance. Let us start with the results of the Q4 of FY2018.

During the Q4 FY2018, we increased capacity in terms of ASKs or available seat kilometers by 10.1% over the same period last year to 15 billion ASK. This increase in capacity was largely driven by the induction of eight 737s in our fleet between May of 2017 and March of 2018 as well as the deployment of additional wide body capacity into London, Paris and Amsterdam. During the quarter, we recorded strong traffic growth with the number of passengers carried increasing by 11.8% to 7.85

million over the same period last year and our load factor increased by about four points from 83% in the Q4 of last year to almost 87% in the Q4 FY2018. Our RASK was flat at Rs.4.12 paisa compared with the same period last year.

Now fuel prices have seen a sharp increase in the recent past and Brent prices increased by about 19.4% to USD \$66.3 per barrel in Q4 FY2018 compared with USD \$55.5 per barrel in the same period last year and this lead to our overall CASK or cost per ASK increasing to Rs.4.63 in Q4 FY2018 as compared to Rs.4.45 in Q4 FY2017, but I am happy to let you all know there are CASK excluding fuel fell by 1.1% to Rs.3.17 against Rs.3.21 in Q4 of last year.

This clearly reflects our effort to reduce non-fuel CASK on an ongoing basis, which we have indicated to you to be between 12% and 15% more over the next 18 to 24 months. The increasing fuel prices coupled with lower yields and some one off expenses incurred during the quarter impacted our overall profitability and we reported a loss of Rs.1040 Crores at a consolidated level for the Q4 FY2018. Amit and Ravi will be taking you through those results in detail later during the call.

Over the last two years, airfares have remained largely flat, while fuel prices have doubled. This equation is likely to change in the months ahead of us. It usually does and has overall geographies around the world across all eras of modern aviation. And we believe this equation will also correct in India, and as that equation corrects, Jet stands to gain the most from this rebalance as a significant portion of our customer base is corporate customers.

While the market corrects, management remains focused in implementing the company's transformation plan. As such during the quarter, as part of our strategy to deepen domestic connectivity, we have redesigned our network, announced several new services from the twin hubs of Mumbai and Delhi to the North East, including Aizawl, Jorhat, Silchar, Imphal and Guwahati, and Guwahati as its North East gateway. We have also connected Bengaluru with emerging cities like, Patna, Indore, as part of the current flying summer schedule. We will commence operations under regional connectivity scheme, RCS from 14th of June 2018.

In our continued endeavor to bridge the east with the west, we also connected Mumbai and Delhi to Mexico City via London with a codeshare from the May 1, of this year. We have also recently placed an additional order for 75 737 MAX aircraft, taking our total order book to 150. These new aircraft are not just fuel-efficient but will also rejuvenate the onboard experience for our customers as they are delivered. These aircraft would start getting inducted into the fleet in this current year, with two aircraft joining our fleet in June and a total of 11 aircraft to be inducted by March of 2019.

Now let me please ask Amit to take you through the financial and operating highlights.

Amit Agarwal:

Thanks, Vinay. Good afternoon, everyone. As we had mentioned to you all in the last quarter, Jet Airways has adopted Indian Accounting Standards, so-called Ind-AS, effective April 1, 2016 as a

Phase 2 company. Accordingly, the financial results for the quarter and the full year ended March 31, 2018, have been prepared in accordance with the recognition and measurement principles laid down under Section 133 of the Companies Act, 2013 read with the relevant rules issued there under and the other accounting principles generally accepted in India.

The results for the comparative quarter and the full year ended March 31, 2017 have also been restated as per Ind AS, and the reconciliation of the results between previously reported, referred to as Indian GAAP, and Ind AS for the quarter ended March 31, 2017 have been provided in Regulation 33 submitted to the stock exchanges and also available on our website.

We reported a loss of Rs.1040 Crores for the fourth quarter of Fiscal 2018 as against a profit of Rs.583 Crores for fourth quarter fiscal 2017, which would have been Rs.23 Crores earlier, getting impacted with Ind AS adjustment worth Rs.560 Crores, as stated below:

Exchange gain and depreciation on exchange decapitalized of Rs.391 Crores, sales value and discount adjustment and other miscellaneous Ind AS adjustments of Rs.169 Crores.

The results for the fourth quarter fiscal 2018 was adversely impacted largely due to the following factors: year-on-year impact of increase in fuel prices by Rs.366 Crores; mark-to-market adjustment due to weaker rupee of amounting to Rs.156 Crores in Q4 fiscal 2018 vis-à-vis Rs.54 Crores gain in Q4 fiscal 2017; onetime maintenance charge of Rs.253 Crores, primarily due to certain wide-body engine shop visits during the quarter.

For the full year ended March 31, 2018, we reported a loss of Rs.636 Crores as against a profit of Rs.1499 Crores for fiscal 2017, which was Rs.438 Crores earlier, getting impacted with Ind-AS adjustment worth Rs.1061 Crores, as stated below: exchange gain and loss and depreciation on exchange decapitalized amounting to Rs.439 Crores; revision of provision for loss as per IGAAP on asset held for sale; and additional gain on sale and leaseback of 2 B737 amounting to Rs.385 Crores; effect of actuarial loss on employee defined benefit plan amounting to Rs.57 Crores; sales value and discount adjustment and other miscellaneous Ind AS adjustments of Rs.180 Crores.

Let me now focus on the Jet Group's consolidated performance of fourth quarter fiscal 2018 vis-à-vis fourth quarter fiscal 2017. In fourth quarter fiscal 2018, while the total capacity that means domestic plus international, in terms of seats grew by 6.3%, the total passengers carried by the airline grew by 11.8% versus fourth quarter fiscal 2017. In the domestic market, we carried 5.63 million passengers in fourth quarter fiscal 2018, an increase of 14.1% over same period last year. On the international side, we flew 2.22 million passengers, a growth of 6.4% over same period last year. ASKs went up by 10.1% as compared to same period last year.

We have achieved overall seat factor of 86.8%, a marked improvement of 3.9 points as compared to a seat factor of 83% in fourth quarter fiscal 2017. Improvement in PLF has resulted in an increase in

our consolidated gross revenue by 8.2% to Rs.6196 Crores in the current quarter from Rs.5728 Crores in same quarter last year. However, the total RASK remains flat at INR 4.12 in the current quarter.

Our constant efforts on improving the cargo side of the business has resulted in an increase of 31% in the tonnage carried over last year same period and 31% increase in cargo revenues.

Total cost per ASK increased by 18 paise or 4% to Rs.4.63 in the current quarter versus Rs.4.45 in fourth quarter fiscal 2017. This was due to the fuel costs increasing by 21 paise or 17% from Rs.1.25 to Rs.1.46 in the same period.

CASK, excluding fuel, however, improved by 3 paise from Rs.3.21 in fourth quarter fiscal 2017 to Rs.3.17 in fourth quarter fiscal 2018. With this, we were able to partly offset increase in fuel costs. As Vinay alluded to earlier, our focus continues to reduce non-fuel CASK, and we are on track to achieve the 12% to 15% reduction in non-fuel CASK in coming 8 to 10 quarters.

EBITDAR for the quarter was Rs.142 Crores in fourth quarter fiscal 2018 as compared to Rs.934 Crores in fourth quarter fiscal 2017. EBITDAR for the year ended at Rs.3148 crores in the current fiscal 2018 vis-à-vis Rs.4477 crores for the same period last year.

Now let me talk about domestic operations of Jet. The share of domestic revenues to total revenues was 46.4% for the quarter. ASKM went up by 10.5% as compared to Q4 of last year. Passengers carried increased from 4.93 million in fourth quarter fiscal 2017 to 5.63 million in fourth quarter fiscal 2018, an increase of 14.1%. Gross revenues increased by 6.8% to Rs.2884 Crores in the current quarter from Rs.2701 Crores in the same quarter last year.

Moving to international. The international revenues to total revenues accounted for 53.6% for the quarter. ASKM increased by 9.8% compared to Q4 of last year. Passengers carried increased from 2.09 million in the fourth quarter fiscal 2017 to 2.22 million in fourth quarter fiscal 2018, an increase of 6.4%. Passenger revenue from international operations increased by 11.7% to Rs.2860 Crores in the current quarter. The overall seat factor in the international market was 85.8%, an increase of 3.7%.

Let me now take you through the details of the debt and the liquidity position for the Jet Group. As of March 31, 2018, the gross debt on our balance sheet stood at Rs.8425 Crores or roughly \$1.3 billion. Of this, aircraft debt stands at Rs.2054 Crores. Over 65% of the total debt is denominated in U.S. dollar.

The net debt as on March 31, stood at Rs.8150 Crores, an increase of about Rs.224 Crores over December 2017. However, excluding the debt taken for BKC property, we reduced our net debt by Rs.359 Crores over the fiscal year 2018.

Now turning about the current quarter and the outlook as we see. Yields continue to be under pressure, and the Gulf market continues to remain weak. As indicated earlier, over the last two years, from fourth quarter fiscal 2016 to fourth quarter fiscal 2018, airfares remained flat, whereas the fuel prices have doubled.

The Jet Airways management team is absolutely focused on executing many key initiatives that will allow us to build a healthy and durable enterprise. Jet Airways continues to remain focused on cost reduction, which is demonstrated by the reduction in non-fuel CASK achieved over the last three years.

The company's non-fuel CASK in FY2015 was Rs.3.37. Considering the impact of inflation and currency depreciation, non-fuel CASK would have increased from Rs.3.37 to Rs.3.76 in fiscal 2018. However, our focused cost-reduction initiative has resulted in non-fuel CASK coming down to Rs.3.12 in fiscal 2018, reflecting a drop of 7% during the period. This has helped us in deleveraging and reducing overall debt by one-third, approximately Rs.3000 Crores during this period.

We are confident of achieving our non-fuel CASK reduction target as we work towards reduction in maintenance costs, reduction in cost of sales, increasing the labour productivity and fuel savings driven by the impending induction of the fuel-efficient 737 MAX aircraft and enhanced cooperation agreement with Air France-KLM that is already paying dividend. Just to illustrate, Jet Airways' Bombay to Paris flight saw a year-over-year increase in its premium load factor by 18 points in the fourth quarter fiscal 2018.

A medium-term part of fleet simplification has been focused on reducing sub-fleet complexity in our narrow-body aircraft. We are also working towards the various revenue enhancement strategies, including network redesign, revenue management analytics and innovative techniques to drive ancillary revenue streams. We continue to work towards enhancing customer satisfaction through continued focus on on-time performance of the airlines.

Now let me open the call for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Suraj Chheda from IIFL. Please go ahead.

Joseph George: Thanks for the opportunity. This is Joseph from IIFL. I have a couple of questions. One is could you help us with the total passenger revenue included in the consolidated revenue of Rs.6196 Crores?

Amit Agarwal: Rs.5378 Crores.

Joseph George: Rs.5378 Crores and what is the corresponding number for 4Q FY2017 please?

Amit Agarwal: Rs.4862 Crores.

Joseph George: The second question that I had was could you break this Rs.5378 Crores into passenger revenues for domestic and passenger revenues for international? I think that is a metric that you used to share in previous calls?

Amit Agarwal: Actually you know we do it at this level and beyond that we do not distribute it.

Joseph George: That is fine. The second question that I had was you have been talking about this 12% to 15% savings in CASK excluding fuel, which is your target over the next eight to 10 quarters? Could you help us understand, which is the base quarter or base period from where this 12% to 15% is computed?

Amit Agarwal: We have always talked about when presented this base was FY2017 where the CASK excluding fuel we had given already Rs.3.23 paisa.

Joseph George: Thank you.

Moderator: Thank you Sir. We have the next question from the line of Navin Jain from Florintree Advisors. Please go ahead.

Navin Jain: Good evening Sir. Sir I have a couple of questions. Firstly can you please throw some light on the yield in the domestic market? Our calculations suggest that the yield for us as declined almost 10% YOY in the domestic market during the quarter, so what happened in the quarter if you can just share some light on that?

Amit Agarwal: Actually if you look at it, there has not been a decline of the yield by 10%. As we talked about for us the important measure is the RASK and what we consider RASK as an important measure and our focus is finding the right balance between the yield and the load factor and that is what we have focused upon.

Navin Jain: Can you share what was the RASK in your domestic market in this quarter and the corresponding quarter last year?

Amit Agarwal: As I mentioned this is our measure, but we do not go specific going out considering the internal statistics between what is the domestic RASK and what is the international RASK, we give you the overall RASK, which we explain to you remains flat at Rs.4.12 paisa in the quarter.

Navin Jain: Sure. Sir the other question was on the cost, so sequentially in Q3 our non fuel CASK was 3.02 and that has increased to 3.17 in this quarter, so I see there is some increase is there on the selling and distribution cost and some increase is there on the other expenses head? Can you please share some

light in terms of what happened there? Is there some additional cost there or is it like a sustainable number?

Amit Agarwal:

Basically if you see the one big change is on account of the variable rental, which we have increased the number of aircraft during the quarter, so we have got as you would know that we have inducted eight 737s in this year and they have been progressively being inducted into the fleet, which has gone up. Second what has also happened is as you would realize that we have started to fly three new flights between Mumbai-London, the third frequency, Chennai to Paris and Bengaluru to Amsterdam. There accounts for the overflying charges, which also fits into this. Third you would also see that we have got certain airport charges, which have also moved up and the OTP. In order to improve the OTP, we have taken certain aircraft as spare in order to make sure that we improve the OTP, so these are some of the big charges, which has impacted between Q4 and Q3 and on the selling and distribution expenses we had the PLB, which the agents have been able to deliver better compared the last slab. In Q3 they had not hit the slab. In Q4 now, they have hit the slab, so there is an increase in the PLB, the incentives, which we provide to the agents.

Navin Jain:

Sure and Sir finally last question given the current scenario where the yields are low and the cost is going up? In the near term there can be some issues in terms of cash flow generation say for example this quarter we had significant negative cash flow generation, so in that scenario what happens in the near term? Do we expect the debt levels to go up in the next two quarters or so?

Amit Agarwal:

You are right and what we have organized ourselves is that primarily our focus will be maybe a quarter or two you will see slightly the debt going up; however, our journey as we have demonstrated over the last two and a half years of deleveraging the company, we have shown that Rs.3000 Crores of debt reduction has happened. Our journey would continue. May be as you said in this quarter or in a quarter or two, there could be a short-term blip in terms of increase in the debt, but overall our strategy continues to be reducing the debt on an ongoing basis

Moderator:

Thank you Sir. We have the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah:

Thank you for the opportunity. My question is on the maintenance charges the one times charge of Rs.253 Crores, so if you can just help me understand what is the accounting policy we have around it because I would have thought that if these engine costs were expected or were scheduled would we not have made a provision for this in the previous quarter or our accounting policy is to take them as they are incurred if you can just help understand?

Amit Agarwal:

Ashish, I think you are absolutely right. What has happened is this is one of the wide body fleet, which has not part of the power by the hour arrangement. All the other fleets, we have got in a power by the hour agreement and in this quarter, we had the shop visits of the fleet and a large number of engines have gone into a shop visit and therefore this is a Rs.253 Crores in on account of that, so it is

one of the fleets in the wide body, which is not part of the power by the arrangement and that is why it has been in the reflected in this quarter. Otherwise, it is on a constant basis based on the block hours, we have the cost in the quarter and therefore the movement is not erratic. It is only in this quarter when there was a bunching of the engines, which has gone for the shop visit.

Ashish Shah: Sir how many aircrafts are we are talking about here the wide-bodied one, which are not in the power by the hour agreement?

Amit Agarwal: Nine aircraft.

Ashish Shah: For nine of them?

Amit Agarwal: Yes.

Ashish Shah: By your own internal assessment, when do we expect such a cost to be recurring anytime in the next 12 to 18 months to 24 months or you think for now we are done and probably we will not see this again for the next at least five to six quarters?

Amit Agarwal: You know what is happening is if you consider nine aircrafts to 18 engines we have considered already a third of it, which has gone, so it is a sequential, which it comes for a performance restoration, so we would consider in the next nine to 12 months again this kind of cost will be coming.

Ashish Shah: It cannot be a certain in which quarter, but it will be recurring.

Amit Agarwal: Yes.

Ashish Shah: I am done operator. Thank you.

Moderator: Thank you Sir. We have the next question from the line of Achal Kumar from HSBC Securities. Please go ahead

Achal Kumar: Thanks for the opportunity. I have two questions. One about the price elasticity in the market given that the fuel prices are high and of course we all expect prices to come in this cost, but if it does not happen obviously the fares have to go up? What sort of price elasticity do you see in the market given that the capacity growth is huge? You are growing Indigo is growing, Spice is growing, huge capacity is coming in? Second question I have on the salary side, I think you have reduced your salary so, I think you are doing a lot in terms of reducing the cost, so what have you done on the manpower side if you could please suggest on that?

Vinay Dube: Let me take the question you had on market price elasticity my view is that it is not I think it is accurate to talk about the market as a whole when it comes to price elasticity, but you need to divide

the market into various segments. As you know you have a corporate segment, you have a VFR segment, you have internationally a student segment and so on and so forth and the price elasticity of different segments in the market is different and it is also a different across different times of the year, so it would be difficult for me to go into every amount of detail, but as I said in my comments that if you look at Jet Airways as composition in particular the percentage of corporate travelers that we have I think you summarize that the percentage of corporate travel is that we have a certainly larger than some of the competitors that you mentioned and as such you would expect our particular segments in the market that we serve to be less price sensitive that perhaps the general market that is travelling today.

Amit Agarwal: The second question I think on the manpower, on an annual basis the inflation is around the 5% to 6% however we have seen our endeavour has been very, very clear and we have been able to contain by improving the productivity. For example, the last year from a Rs.3084 Crores to Rs.3174 Crores reflects that we are able to offset part of the increased inflationary increase to productivity and that would be our endeavour on our go forward basis.

Achal Kumar: The operating cost ex fuel has gone up by 15% if I remove this one off maintenance cost and the forex gains, and your capacity has gone up by 10%, so by that means if I go your unit cost should go up? I am not able to match up how you are showing your unit cost has gone down? Could you please elaborate on that?

Amit Agarwal: I really do not know how did you do the math, but we know very clearly because you have to consider in the other expense as we have clarified in investor pack that the foreign exchange impact because it is mark-to-market. The foreign exchange impact, which we do not consider into the cost excluding fuel and if you exclude and the Rs.253 Crores then the numbers do tie up, which show the reflection of 3.21 dropping to 3.17.

Achal Kumar: The way I am doing is you have shown 7366 in the Q4, the total expenditure and if I remove Rs.253 Crores and Rs.156 Crores and then compare that to 5837, the increase which I am getting ex fuel is about 15%? Your ASK is growing about 10% unless you have something in the Q4 last year?

Amit Agarwal: Basically that is what I am saying so there it is clarified in the investor pack, but I think we can go and work with you the math exactly because the calculation reflects clearly that there is a drop between 3.17 from 3.21.

Achal Kumar: I will connect later offline.

Moderator: Thank you very much Sir. We have the next question from the line of Anshuman Deb from ICICI Securities. Please go ahead.

Anshuman Deb: Thanks for the opportunity. I had one question regarding the cost parameter as you said, so if our nine aircrafts are not under PBH, so there is this volatility, which we saw in this current quarter? Now when we factor the cost reduction plan to reduce by 12% to 15% from 3.24 levels are we factoring any kind of factor of safety where this kind of engine shop visits can happen again as you said in the next nine to 12 months especially because of wide body will continue to be not under PBH right is that is the right understanding?

Amit Agarwal: When we talk about on an overall for the year the cost it does reflect the impact of these costs and we have already incorporated the impact of these shop visits for the wide bodies, which are not covered under the PTH, so on a year to year basis you have already the incorporated the impact however on a quarter when it comes and this time it was more of a bunching otherwise you would not see so much of a variation in the maintenance cost.

Anshuman Deb: Another thing I want to understand was like your partners in terms of Air France had a very tumultuous time with their union issues and change in management and so basically had that had any impact on our international agreement with them?

Amit Agarwal: No impact.

Anshuman Deb: Okay. And last question, Sir, in the sense that in terms of fares, now at some point, I understand we are increasing the PLFs, but considering the increasing costs, there may be a point where we might have to consider optimization of yields to get a part of our profitability back because in terms of we would assume a mark-to-market of around \$67, \$68 and went up around \$80, then some kind of fare growth looks has to be imminent in terms of cash flows management. So in terms of lease strategy, are we ready to kind of sacrifice some of the PLFs, which we have increased in favor of, yields in recent quarters?

Vinay Dube: Sure. Let me take that question. I think, at Jet, we do not think of load factor and yield separately. For us, on the revenue side, it is a RASK yield, and it is also not an overall issue. This is on a market-by-market a seasonal basis; in fact, quite often, some day of week basis. So to answer your question very succinctly, yes, absolutely, we do increase our RASK. We will be happy to take a yield haircut or we'll be happy to take a load factor haircut. And in fact, this will vary by time of year and by market, so that is not a problem for us to adjust. And I answered the question on Air France-KLM rather succinctly, and Amit nudged me over here and said perhaps that was too short an answer, so just to give you a little more confidence that the AFKL circumstances are not affecting us. I can point back to the statistics that was executed in the last quarter of a 20%, as an example, increase almost in the premium load factor. We do these types of enhanced cooperation agreements with carriers to be able to get advantage of their point-of-sale strength in Europe and, in particular, to be able to get advantage of their point-of-sale strength for the premier and corporate market, as they would do the same for us as the leading sort of corporate international carrier of India. And you can see that firmly from our results. We gave you one example, but certainly, we are privy to many other examples in terms of the

wonderful impact that this partnership is having on our premier RASK and the overall results of our India and Europe operation.

Anshuman Deb: Thank you.

Moderator: Thank you Sir. We have the next question from the line of Yusuf Kapadia from Edelweiss Capital. Please go ahead.

Yusuf Kapadia: Thanks for providing me an opportunity. I wanted to understand about your Gulf markets how much is that as a percentage of overall traffic and because of high oil price are you seeing any recovery there and when can we expect recovery if oil remains low? What kind of lead lag do you expect in that market?

Amit Agarwal: In Gulf as we mentioned to you it is almost 20% of the total capacity and the whole point here is that in certain markets in the Gulf we do see recovery however in certain other markets we do not see the recovery and we have not seen a sustained recovery in the Gulf market. Where we have seen a recovery, it is there for some period of time and then it reverts back in terms of the yields, so I think we need to wait and watch little bit more and a little longer may be one or two quarters more in order to see a sustainable improvement in that market.

Vinay Dube: But certainly we are sensing from sort of more smaller personal data points the same kind of sense you had as a result of the increase in fuel prices and the corresponding effect they have on the Gulf economy.

Yusuf Kapadia: Understood. Thank you.

Moderator: Thank you Sir. We have the next question from the line of Amit Goela from Rare Enterprises. Please go ahead.

Amit Goela: Thanks for the opportunity. I have one question on pricing. You have elaborated earlier, but I am just asking you one more time. What we can see regularly is the kind of load factors the industry as well as Jet is having and the kind of growth, which the industry is experiencing, so in the light of this I am just trying to figure out like what is the thought process behind pricing when you say that prices have not gone up for two years or they have almost been flat or the kind of losses, which are being declared, so how does this pricing mechanism work? What is the thought process you guys have about this?

Vinay Dube: That is a great question. Unfortunately, when it comes to market fares, it does not matter what our thought process alone is. Also, to remain competitive, you have to understand what and compete with the other competitors. In general, I would say that for any enterprise, whether it is in transportation, whether it is manufacturing, retail, pharma, there is a correlation between an increase in input costs

and the resulting price offered in the market. I think this is going to be true for the aviation sector as well, except there is a lag that we are witnessing. So I do not think there is any sort of unnatural phenomena. I do not think our pricing experts are sort of less intelligent beings. This is just the market phenomena that we think will correct itself over a period of time.

Amit Goela: Sir I am not trying to be distinct that you have to tell me that they are less intelligent beings? I am just not being able to understand why is the industry dynamics like this or why is it so tough like that face do not go up or even when input costs are going up so dramatically like?

Vinay Dube: I wish I could answer that. I did not mean to be disrespectful and imply that you will be insulting. I was trying to be funny, but a sense of humor sometimes does not come out correctly on a conference call of this magnitude. You have asked a million dollar question. I think part of it is the maturity of the industry and that over time as the industry matures you might see a different kind of a pricing irrational in the market. Once people have been through a few years of ups and downs that is sort of as best as I can put it. Having seen the phenomena across the United States and Europe myself personally what we are going through is not unlike some of the pricing phenomena that took place in the US in the 1980s and 1990s as that industry was maturing. I think that the Indian aviation industry is maturing at a phenomenally faster pace than most other markets and my expectation is that like those markets we will reach a different market pricing philosophy and market equilibrium here in the near future.

Amit Goela: Thank you so much Sir. One last question Sir you said there is a little bit of a lag, like what kind of timeframe you are looking at Sir?

Vinay Dube: That is the million-dollar question. There is no straight answer for that. We just have to see, but as we said from the Jet Airways management perspective we are not losing any sleep over it. We continue with our restructuring efforts because at the end of the day we do not want to be victims of the market. We have got to try and take those things that we can control ourselves in our own hands like cost structure, revenue initiatives in terms of revenue management technologies, in terms of ancillary revenue streams, in terms of restructuring of the sales network, in terms of boosting cargo technology and our cargo load factors, sharpening up our sales focus, the better use of commissions, etc., etc., etc. I have a long list, but I do not want to bore you through it and so at Jet, we are talking on this call about the price of fuel, but honestly we are focused on initiatives that we can control that we feel is within our grasp that we have the capability to execute and that we have shown over the last two to three years a track record of executing if you look at our non fuel CASK performance over a two to three year period, I think you will find that we have delivered on that. I think if you look at our debt you will find that we have delivered on that, so we are going down that path.

Amit Goela: Thank you so much and all the best.

Moderator: Thank you very much Sir. We have the next question from the line of Mayur from IndiaNivesh Securities. Please go ahead.

Mayur: My question is more on the RASK. I am trying to understand at one point we say that we have more of a corporate likely culture and on the other side we see this serious impact on EBITDA because of rising cost even if it fuel cost so I am trying to understand that certainly our clientele are different than the likes of Indigo and Spice Jet, so why are we not in a position to really take a better pricing mechanism than so I am not saying may be pass on the entire thing but may be a better pricing mechanism than the other two?

Vinay Dube: I think we do and I think you will see that in yield premiums that we have, so I do not think there is any question about that and I think that the yield premium that we have in this particular quarter was considerable as it has been in previous quarters as well, so we have a different approach. We do get a yield premium because of our mix of traffic, but all we are saying is that while that yield premium is there from one quarter to the other that entire base need to move up overtime and for that entire base to move up we are subjected to market forces.

Mayur: Could you help me with just as a ballpark number, so how many of our flights would have a common route to may be an Indigo where they claim that they have the lowest cost and you really have to match them in terms of price mechanism?

Vinay Dube: I think most of our routes are highly competitive. I do not think there are many of us in the market that have a bunch of monopoly routes, a few here and there, but I think it would be safe to say that the bulk of our network is quite competitive.

Mayur: You have been saying that the regional connectivity route will start from June 14, 2018 could we expect just like Spice Jet has had a better RASK to itself from Indigo once the regional route started for it could we see a similar expansion of RASK for you too?

Amit Agarwal: It is a very small ASKM, so that would not really make any significant change on the overall RASK. It is a very, very small number compared to the total volume of operations that Jet has.

Mayur: My last question is Sir we have incurred probably all the three airline companies listed companies, we are the only ones who reported a significant loss in this quarter probably eating up the entire years profit and the outlook for fuel is also not too rosy? At this point, it really looks very challenging for us to look at FY2019 estimates also and I think the price also has corrected pretty significantly in terms of the stock price, so as a management call what is the strategy really to take care of the profit ability in the near term?

Amit Agarwal: As we have spoken a number of times, our focus continues to be on the non-fuel CASK. We are on target to deliver the 12% to 15% non-fuel CASK reduction that is number one. The second thing as

Vinay eluded to about the various initiatives taken on the revenue and we have also identified some other major opportunities in the cost, which we will take much sharper focus to consider a deeper cut on the cost and that would be mainly the broader strategy to see which are the other initiatives, so for example in the international as we talked about partnering with the Air France and KLM on one hand and with Etihad on the other hand, we are trying to see how we can improve the yield in that region as well, so that would be our main focus.

Mayur: Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to the management for closing comments. Over to you Sir!

Amit Agarwal: Thank you very much. We look forward to talking to you in the next quarter. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of SBI Cap Securities Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your line.